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Thailand

Grain and Feed

Rice Intervention Program Returns Amid High Market Prices

2008

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Report Highlights:

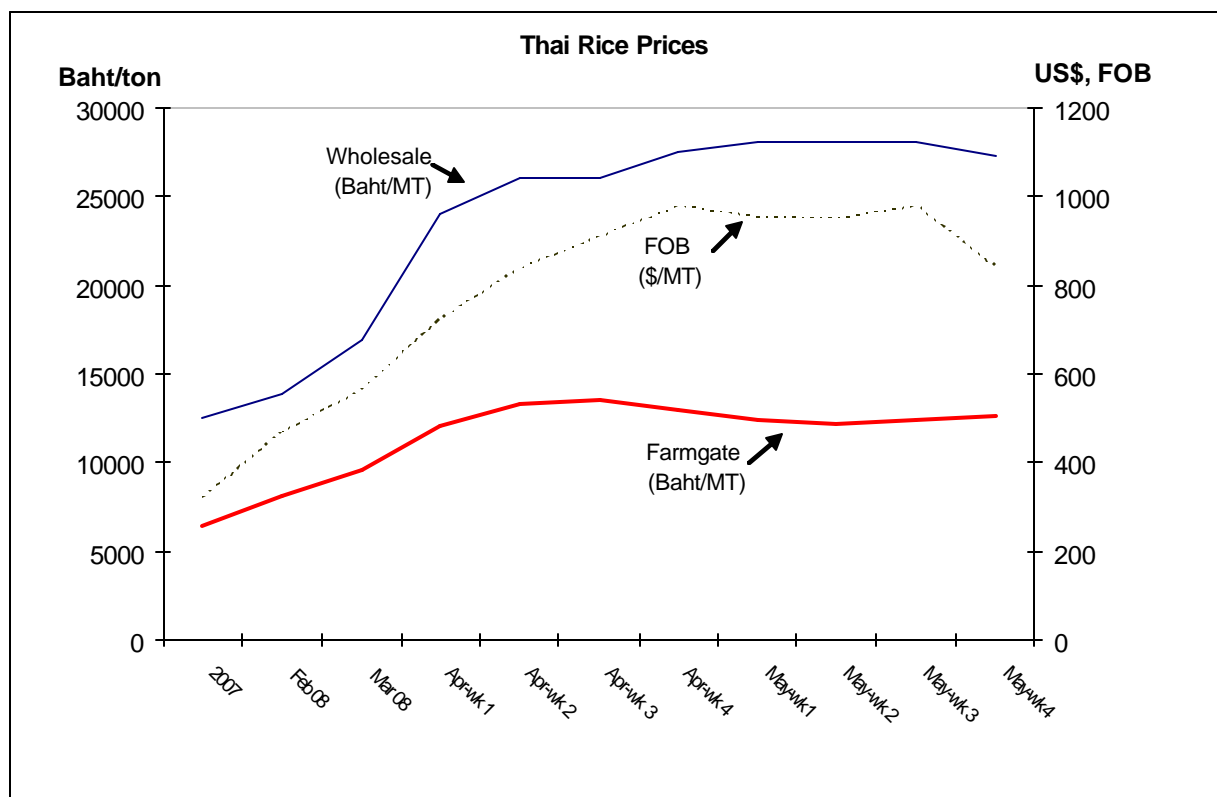
On June 4, the Thai Government committed to start the second-crop mortgage program for a targeted 2.5 million tons of paddy. The proposed intervention price of 14,000 baht/ton (\$430/MT) of white rice paddy (15 percent moisture content) is 20 percent higher than current market prices. If approved by the Cabinet on June 10 as expected, Thai farmers soon will likely be selling into government intervention instead of into the world market.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Bangkok [TH1]
[TH]

On June 4, the Thai Government committed to start the second-crop mortgage program for a targeted 2.5 million tons of paddy. The program is expected to run through August 2008 in order to ease rising political pressure from farmers. The program is expected to begin immediately after Cabinet approval next week, but it will take an additional two weeks before the program is fully implemented. The proposed intervention price is 14,000 baht/ton (\$430/MT) for white rice paddy (15 percent moisture content) which is 20 percent higher than current market prices. Farmers will be able to redeem at three percent interest rate within 90 days.

The Bank for Agriculture and Agricultural Cooperatives (BAAC), under the supervision of the Ministry of Finance, will operate this program. In addition, the Government reports it has a plan to release the intervention stocks for exports. As of May, outstanding intervention stocks totaled 1.9 million tons of which 1.1 million tons are 5% grade white rice.

Farm gate prices of paddy (white rice) have dropped considerably in past weeks to around 9,000 – 12,000 baht/ton (\$278-370/MT), compared to record 15,000 baht/ton (\$476/MT) in mid April 2008, due to the current slowdown in new orders from foreign buyers who are waiting for relatively cheaper Vietnamese rice next month. Export prices are presently offered at around \$800/MT, FOB, much lower than the average of around \$950/MT for premium white rice. New harvest supplies of summer crops (third crop) will enter the market in late June with anticipated bumper production of 2.7 – 3.0 million tons of paddy, as compared to 1.1 million tons in the previous year, due to acreage expansion.



Implementing the intervention program could put upward pressure on export prices. Presently, export prices of premium white rice are leveling off at \$800/MT. Meanwhile, domestic prices have fluctuated over the past couple of months amid downward pressure on farm gate prices. Intervention prices based on domestic price fluctuations could disrupt the market as the intervention prices are often the benchmark for market price quotations. Given intervention prices of 14,000 baht/metric ton of paddy (\$430/MT), export quotations of premium white rice are expected to rebound to no less than \$900/MT over the next couple of weeks.

End of report